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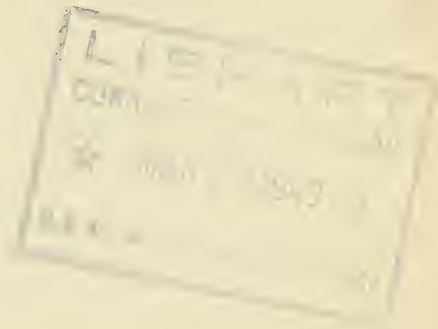
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MARKETING ACTIVITIES



U. S. Department of Agriculture
Production and Marketing Administration
Washington 25, D.C.

FOOD PRICES AND SUPPORT PROGRAMS

By Ralph S. Trigg Page 3

Are price-support programs responsible for high food prices? The Administrator of the Production and Marketing Administration and President of the Commodity Credit Corporation says "no"--emphatically.

BILLIONS OF HANDS

By James E. Thigpen Page 8

Like a good cigar the Federal tobacco grading and market news service has made friends among its users. Growers, handlers, and buyers who have seen the service in operation have been so impressed that this year all of the country's 153 established markets are participating.

NEW IDEAS IN VEGETABLE MARKETING

By F. L. Thomsen. Page 12

Most new-fangled processes have their stretches of bubble and bust before they level off on their merits. Here is some straight talk on prepackaging and freezing--and even a word or two about preserving vegetables in a cyclotron!

STORAGE IS THE PROBLEM

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Only early preparation can mean adequate storage for this year's record crops.

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Food Prices and Support Programs

By Ralph S. Trigg

Are agricultural price-support programs responsible for the currently high level of retail food prices?

Hundreds of consumers have asked me that question in recent weeks. And I can understand why they ask. Price-support operations this year probably will be more extensive than in any year since the beginning of World War II. At the same time, food prices in retail stores have soared to record highs. Many consumers believe that only one conclusion can be drawn from these circumstances.

Actually, however, price-support programs have had virtually nothing to do with the high food prices that consumers are paying today.

That statement can be proved.

Let's take a look, first, at the prices that are not supported, as well as at prices that are already so high as to make support operations necessary.

No Support Price on Meat

Sirloin steak has been selling at \$1.25 a pound in some stores; ground beef, at 90 cents a pound; and chuck roasts, at 75 cents a pound. But--the Department of Agriculture is not supporting the price of cattle or calves, nor is it supporting the price of beef or veal.

Prices of lamb chops and leg o' lamb are up in the stratosphere. The Department, however, is not supporting the price of live lambs or sheep, nor is it supporting the price of dressed lambs or mutton.

Ham, bacon, and pork chops--all are selling at prices that would have sounded fantastic 10 years ago. They sound a little fantastic even today. Yet, the support price for hogs in September is \$18.50 a hundred pounds, live weight, whereas actual prices thus far in September, for hogs that would come under the price-support program, have been averaging \$28.89 per hundred pounds, live weight.

Prices of chickens and turkeys are high, too--so high, in fact, that the Department of Agriculture hasn't considered it necessary to announce price-support programs.

Fish--it is cheaper than meat, though far higher in price than was the case a few years ago. In any event, the Department does not support the price of fish, either fresh or canned.

Prices of such deciduous fruits as apples, peaches, pears, and

berries are a little high. But the Department is not supporting prices of fresh, canned, or frozen fruit. Citrus fruit, incidentally, is one of the best food buys on the market today. Growers, on August 15, were receiving 48 percent of the parity price for grapefruit, 38 percent for oranges, and 20 percent for lemons.

Vegetables--prices are up some, although the Department is not carrying on active support operations for fresh, canned, or frozen vegetables, except for potatoes.

Prices of milk are very high, as most consumers know. But a support program would be started only if prices of milk sold at wholesale dropped below 90 percent of the parity price. Prices received by farmers for milk on August 15 averaged 127 percent of parity.

(In 30 consuming markets or areas the Department fixes minimum prices to milk producers, under authority of the Agricultural Marketing Agreement Act of 1937. Without minimum prices, there would be the danger that production of milk would fall off sharply, which would mean even higher prices than prevail now.)

Nor is the Department supporting the price of butterfat. As in the case of milk, the Department must start support operations only when the price of butterfat dips under 90 percent of the parity price. Prices received by farmers for butterfat on August 15 averaged 129 percent of the parity price.

Sugar Prices Lower

Prices of other dairy products likewise are unsupported. Included are such products as evaporated milk, condensed milk, cream, a large variety of cheeses, ice cream, ice cream mixes, and sherbets.

Under the Sugar Act of 1948, the Department stabilizes prices received by domestic producers of beet and cane sugar, through limitations on imports of sugar from foreign producing areas and limitations on marketings of domestically produced sugar. That this program has not added to the upward spiral of living costs is revealed by the fact that the wholesale price of refined cane sugar was \$7.75 per hundred pounds during August 1948, as compared with \$8.40 per hundred pounds during October 1947--the last month OPA price ceilings were in effect.

The list of imported foodstuffs that are unsupported is long. On that list are such items as coffee, tea, cocoa, coconut, bananas, tapioca, and spices.

Now let's consider the food prices that are supported; that is, the prices that are being actively supported by the Department of Agriculture through the application of Federal funds.

Not many foods fall into that group. The principal ones are wheat, eggs, Irish potatoes, dried fruit, and peanuts.

The case against wheat is not open and shut by any means. Prices received by farmers for wheat in January 1948 averaged \$2.81 per bushel, whereas prices received in July 1948 averaged \$2.03, a decrease of 28 percent. The average retail price of white flour dropped during the same period from 9.6 cents to 8.4 cents per pound, a decrease of only 12 percent. The average retail price of white bread increased from 14.4 cents per pound loaf in January 1948 to 14.5 cents in February 1948--and the price held rigidly at 14.5 cents during March, April, May, June, and July. It is difficult to see, from these figures, how the price-support program for wheat has added to the cost of living.

Nor can any strong indictment be brought against the price-support program for eggs. Prices of high-quality eggs have been ranging from 77 cents to 88 cents a dozen in Washington, D. C., grocery stores in mid-September and prices have been unusually high in other large cities throughout the country. Yet farmers on August 15 were receiving a national average price of only 49 cents a dozen, while the Department's support price, applicable only to low-quality eggs sold to processors of dried eggs in the Middle West, is only 35 cents a dozen. There may be some relationship between the unusually high retail prices and the Department's support price, but that relationship is not immediately apparent.

Potato Program

The Department has had to make rather heavy purchases of 1948-crop potatoes to maintain prices at the legal support level. If the Department had not had to make these purchases, prices of potatoes, of course, would have declined and consumers would have been able to buy potatoes more cheaply. But potatoes add very little to the total cost of living. As a matter of fact, if grocers throughout the country had given potatoes away for absolutely nothing during the month of July, the saving to the average family of four would have been only \$2.33.

Price-support programs for dried fruit and peanuts have kept prices from declining, it is true. And these programs have, to some extent, resulted in consumers paying slightly higher prices. But, as in the case of potatoes, the increase in consumers' total outlay for foods as a result of price-support programs for dried fruit and peanuts has been negligible.

In summary, then, we have this: Most foods consumers buy either are not supported at all or actual prices are so high that support operations are unnecessary. While price-support programs may have increased prices consumers must pay for potatoes, dried fruits, and peanuts, these foods represent a very small fraction of consumers' total food expenditures. So I feel that I am on safe ground when I say, categorically, that price-support programs have had virtually nothing to do with the high cost of living today.

What, then, accounts for the high prices?

Essentially, a strong demand is running head-on into limited supplies.

The demand stems, primarily, from the high purchasing power of American consumers, whose aggregate disposable incomes (personal incomes after payment of taxes) will be \$189,000,000,000 this year, as compared with an average of \$66,000,000,000 for the 5 years preceding World War II. But these statistics on purchasing power do not tell the whole story. All consumers, including those formerly in the low-income brackets, are demanding increased quantities of the more expensive foods. Average per capita consumption of the cheaper foods--potatoes, sugar, and wheat--are 5 to 7 percent under the prewar average, while per capita consumption of the more expensive items, such as meat, poultry products, milk, and cream, are 15 to 27 percent above the prewar level.

Supply and Demand

Supplies of a number of foods are small in relation to the demand, even though the Department has called for increased production. The number of cattle in the United States has declined from the wartime peak of over 85 million cattle and calves in 1945 to around 78 million at the beginning of this year. Stock sheep numbers have dropped from their record high of 50 million head in 1942 to around 30 million--the smallest since the Civil War. The 1948 pig crop of 82.4 million head compares with the 1943 peak of 121.8 million head. Production of milk for human consumption this year is expected to total 117 billion pounds, as compared with 121 billion pounds in 1945. Output of chickens, dressed weight basis, may total 3.3 billion pounds, as compared with 4.2 billion pounds in 1945, and production of turkey meat is expected to total 460 million pounds this year, as compared with 687 million pounds in 1946. And so it goes--the most expensive foods generally are those in shortest supply, while the cheapest foods are usually those in abundant supply.

No, price-support programs are not responsible for the high cost of food today. Actually, food supplies would have been smaller and food costs higher had there been no price-support programs. Farmers have increased and maintained production at about one-third above the prewar level, partly, at least, because they had the assurance that what they produced could be marketed at a fair price. This increased production, which stems to some degree from price-support programs, has done more to hold down the over-all level of food prices than anything else.

Another point should be taken into consideration. Farmers as a group constitute a tremendous market for the goods and services provided by nonfarmers. Thus nonfarmers have a vital stake in the maintenance of a prosperous agriculture. Price-support programs, by assuring farmers of minimum prices or floors for their products, make for a prosperous agriculture and a prosperous national economy.

I am sure that, aside from other considerations, the American people recognize the essential fairness of the parity principle. Parity is the doctrine that the farmer should receive prices for his products that are in line with prices he must pay for items used in farm family living and production. Price-support levels are geared to parity prices, and parity prices fluctuate with changes in prices paid by farmers. Parity prices drop automatically when prices paid by farmers drop. So support prices would be lower if prices paid by farmers were lower.

Beginning January 1, 1950, price-support programs will be more flexible than heretofore. In the case of several major crops, for example, the support level will range from 60 to 90 percent of parity, depending upon the supply. Other crops may be supported at levels all the way from zero to 90 percent of parity.

This flexible system of price supports will tend to assure an adequate production of farm commodities, while, at the same time, it will protect producers against disastrous declines in prices. Such a system, responsive to the over-all needs of the country, will be an invaluable part of the long-range program that is now taking shape for American agriculture.

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FOODS IN PLENTIFUL SUPPLY DURING OCTOBER

The foods listed below are expected to be in plentiful supply throughout the greater part of the United States during October, 1948. Dropped from the September list are: Tomatoes, canned peas, canned purple plums, eggs, and celery.

To qualify for the list, items must be commonly used, generally available, and in plentiful supply. The foods named usually offer consumers more for their dollar than alternative foods which are less plentiful, and they should prove to be features for food merchandising.

The list includes: Sweetpotatoes; onions; peanut butter; citrus fruits (orange, grapefruit and lemon); cranberries (fresh and processed); grapes; canned apricots; canned citrus juices (orange, grapefruit, and blended); canned grapefruit segments; canned applesauce, apples and apple juice; prunes, raisins and dried figs; cabbage; carrots; Irish potatoes; canned tomato products (catsup, paste and puree); fruit spreads; tree nuts (pecans, walnuts, filberts, and almonds); honey; and fresh and frozen fish.

In the use of the list, the local availability of each item should be verified.

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OFFICIAL BEEF STANDARDS SHOWN IN COLOR

The Livestock Branch of PMA has a three-panel exhibit of 24 natural color photographs of 12 beef carcasses depicting the lower limits for U. S. grades of beef. A manual showing 39 carcasses in color has also been prepared. These color photographs, which will serve as "measuring sticks" for interpreting official standards, are part of a Research and Marketing Act project for improving the application of grade standards for livestock and meats.

Billions of Hands

By James E. Thigpen

With the 1948 tobacco marketing season still in full swing, the U. S. Department of Agriculture, for the first time since the beginning of the free Federal grading and market news service in 1936, is making these services available in all of the country's 153 established auction markets. About 700,000 growers of the leading commercial types of tobacco participate in these markets.

Established by the Federal Tobacco Inspection Act, the inspection and grading service has grown from 18 markets in which only a little more than 80 million pounds of tobacco were sold to its present all-inclusive total of 153 markets in which over one and one-half billion pounds of flue-cured, Burley, fire-cured and dark air-cured tobaccos are expected to be marketed from the 1948 crop. Year by year as growers, handlers, and buyers have seen the service in operation, additional markets have indicated a desire to have it extended to them.

The terms of the law provide that mandatory and free inspection can be made effective on auction markets only after at least two-thirds of the growers who regularly sell their tobacco on the market in question have voted in a referendum for the establishment of the service. However, designation by USDA of such a market for permanent inspection following a favorable referendum is not obligatory under the terms of the law.

The central function of the inspection service is the grading of tobacco according to the standards established by the Federal Government. And, since there are about 120 grades of just one type alone--flue-cured--both considerable knowledge and careful training are essential.

Grading Makes a Market

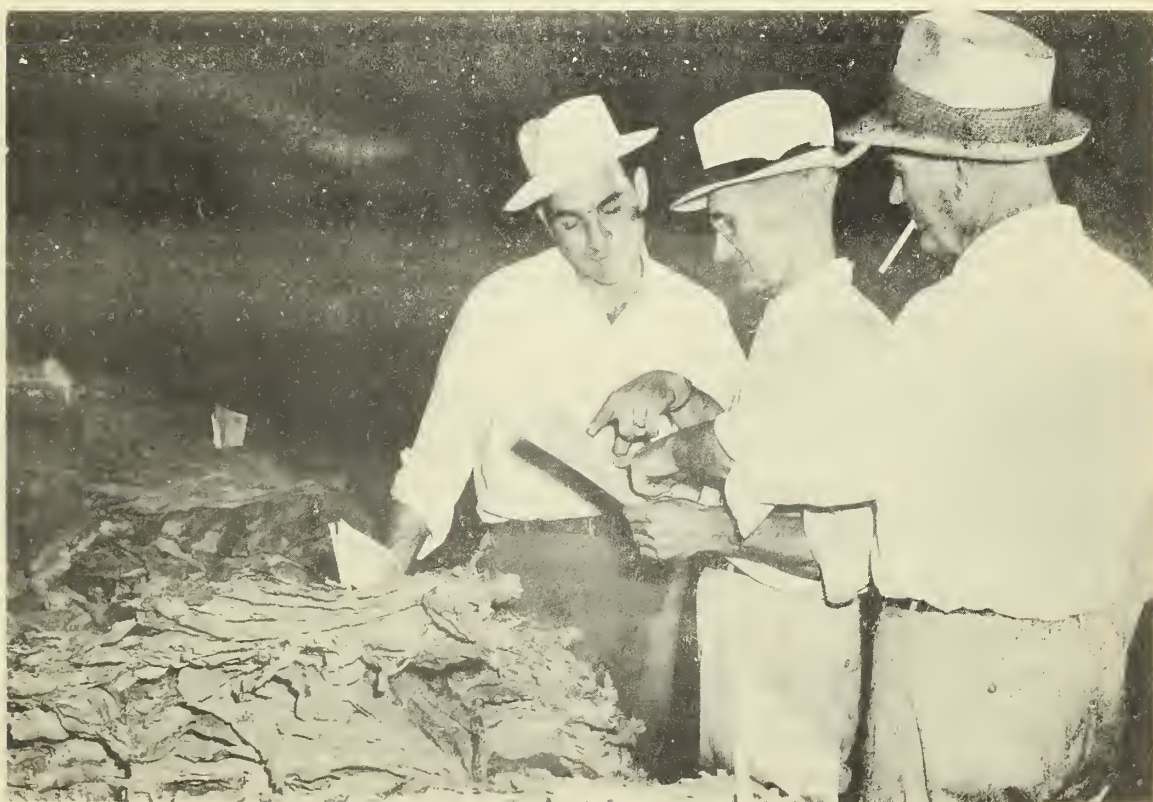
A fair and orderly market is one in which both seller's and buyers are fully aware of the quality and value of the product. Buyers generally have this information on tobaccos which they purchase. The grading service provides this information for growers and thus contributes to a better balanced and more orderly market. On the basis of grade and price information CCC establishes price-support loan rates and growers can place tobacco under loan in the regular course of the market.

With grading assuming this fundamental importance, the selection of the Federal inspectors who do this work is obviously the core of the system. To insure the selection of competent inspectors, the United States Civil Service Commission holds periodic examinations for applicants for these positions. Experience in tobacco--previous work in the production or purchasing of it--is one of the factors that weigh most heavily in the eyes of the Civil Service examiners.

After a list of those who have passed the examination is compiled--with the successful applicants ranked by the grade they received in the



A truckload of the "golden leaf" is brought into one of the country's 153 established auction markets. This year for the first time all the nation's markets are receiving the U. S. Department of Agriculture's inspection and market news service.



"Here's what your grade of tobacco has been selling for," point out two USDA tobacco inspectors to a grower holding one of the free, daily, Federal market price reports. Knowing the current price for his tobacco will enable the grower to decide whether to sell his tobacco at the initial bid or hold it for reoffering at later sales.

examination--it is forwarded by the Commission to the Tobacco Branch of the Department of Agriculture's Production and Marketing Administration. As vacancies in the ranks of the inspectors materialize, replacements are selected from the Civil Service register. All appointments are governed by the usual rules applying to Federal employment and veterans receive mandatory preference.

Promotions within the 400 man inspection service are based on demonstrated competence in actual inspection and grading work, and on seniority. To further insure the use of only the best qualified personnel in the higher grades, the Branch administers its own test before promoting an inspector.

This test involves the correct identification and sorting of approximately 100 grades of tobacco. Moreover, the employee must demonstrate a high degree of accuracy and a detailed knowledge of the Federal grades of the type or types of tobacco involved. Failure means a denial of promotion or a possible discharge. The test is administered in flue-cured grades at Raleigh, N. C., and in Burley grades at Lexington, Ky. In both cities sample grades of tobacco are kept for use in training laboratories. After inspectors have served one year in the lower Civil Service grades they are required to take this examination.

Training is Thorough

Nor is this the only step that is taken to make sure that the tobacco markets continue to have alert and accurate inspection. Every three years each member of the inspection force is required to take a "refresher course" in the type or types of tobacco in which he works. The purpose of this course is to make sure that every man is thoroughly familiar with all the grades of tobacco that are grown in the type-producing area in which he works. Attendance is staggered to prevent overcrowding in the courses or undermanning on the job.

As an added guarantee of impartial effectiveness, a determined attempt is made to see to it that every inspector is assigned to work in a market area away from his home.

In addition to this training program for inspection personnel, courses are given from time to time which are attended by persons from various private tobacco firms. These courses contribute to a better understanding of the Government grades and are particularly helpful to companies which redry, on a contract basis, tobacco placed under CCC loans by growers.

Closely allied with the grading service is the market news service which is also operated by the Tobacco Branch in conformity with statutory requirement. Although it serves all phases of the tobacco industry, this service is of primary value to the approximately 700,000 growers who sell their tobacco on auction markets.

Operating through two main offices--Raleigh, N. C., and Louisville, Ky.--and 11 temporary offices from Valdosta, Ga., to Baltimore, Md., the

service provides daily market price information by Federal grades on all auction markets served by the Federal inspectors.

Daily press and radio reports, widely used throughout the growing areas, are supplemented by weekly reports that are sent through the mail on request. These reports summarize the current price situation by grades as well as the general average prices of all tobacco sold. In gathering this information, the Federal market news service is assisted through cooperating agreements by State departments of markets in many of the tobacco-growing States.

After the tobacco brought into the auction market has been inspected as to grade, and before the start of the auction, there is available to every grower a report designed to assist him in determining the current market price for his tobacco. The report urges the grower to note both the auction bid and the average price as well as the loan rate and calls attention to the three options that he has--the acceptance of the bid price offered, rejection of that price and the re-offering of his tobacco at auction, or the rejection of the bid price and acceptance of the price support embodied in the CCC loan rate.

The report also passes on tips of timely importance to the grower such as advice to keep his green and ripe tobacco separated, his leaf clean and dry, and urges him to turn to the Federal inspector for advice relative to the operation of the inspection and market news services.

In addition to its current activities on the auction markets in the discharge of these programs, the Tobacco Branch has cooperated with the Extension Service and teachers of vocational agriculture in sponsoring demonstration work with growers leading to improved pre-market sorting and standardization. Last year, over 1,000 of these demonstration meetings were held and attended by over 16,000 growers.

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TOBACCO PRICES AT HIGHER LEVELS

On the first day of sales in the flue-cured markets of the North Carolina Middle Belt, prices on Type 11 B ranged from \$1.50 to \$14.00 higher than for the first sales at the same market in 1947. The bulk of the sales averaged from \$6 to \$10 above last year's prices with the better quality grades selling at \$62 to \$66 per hundredweight. The average per hundredweight was established at around \$53 to \$56. This year 3 to 5 percent of the crop was going under loan compared to last year's opening figure of 9 percent.

In the Georgia-Florida Tobacco market which closed on August 31, the total sales amounted to an average price of \$47.03 per hundredweight. The South Carolina-Border North Carolina market's gross sales by September 1 were 174 million pounds which brought an average price of \$52.67 per hundredweight. In the Eastern North Carolina market, 69 million pounds of Type 12 tobacco had been marketed by September 1, with the price averaging \$48.08 per hundredweight.

New Ideas in Vegetable Marketing

By F. L. Thomsen

It is not easy to determine what is a new development in vegetable marketing these days. Developments have come--and sometimes gone--so thick and fast that what is a new development today may be an old one tomorrow.

The case is like that of the physician who treated a man for insomnia. "Before you go to bed," the physician advised, "eat something and drink a big glass of milk."

The man looked puzzled. "But, Doctor, only a few months ago I was in to see you about the same trouble, and you advised me to stop eating before I went to bed."

The doctor was not to be caught off base. "Ah, young man," he said, "but that was 6 months ago. Science has made tremendous strides since then."

As a matter of fact, this article on new developments may be obsolete before it is printed. According to a recent magazine article, an inventor has worked out a new way of preserving many fruits and vegetables by subjecting them to the rays of some kind of cyclotron or atomic energy! Apparently this discovery must be taken seriously, since some high-powered businessmen and engineers are said to have invested a considerable amount of money in its development. If successful, they may make obsolete the freezing, canning, dehydrating, and possibly the prepackaging and refrigerating of produce. Then some of us will have to learn our business all over again.

"Antiquated Processes"

For a while, however, we will have to plod along our ancient ways and deal with the "antiquated" processes of prepackaging, freezing, and better merchandising of vegetables which have been so prominently in our thoughts of recent years.

In the last days of the war, when marketers had begun to turn to postwar merchandising problems, many enthusiastic predictions were made about the future of the freezing preservation of foods, particularly fruits and vegetables. Sometimes I felt like hiding in my office in the U. S. Department of Agriculture to avoid having to disillusion the many veterans who descended on the place, without experience or knowledge of merchandising, to find out how they could get rich quick in this new frozen foods business. Articles appeared in the trade papers in which prominent businessmen predicted that frozen foods soon would represent an annual volume of business of so many million pounds that in one case I computed it would be about 200 percent of the total volume of such foods sold.

But alas, the bubble was soon pricked, and instead of wondering how soon they would take over the entire produce business some of the frozen foods enthusiasts were scratching the bottom of the barrel trying to keep out of bankruptcy, and not always successfully. People wondered when, if ever, the mountainous stocks of frozen food would be gotten rid of.

Following these sad experiences, a great many in the trade jumped to the opposite side of the fence, and concluded that frozen foods would never amount to more than an unimportant specialty item. Retail store organizations which had been frantically seeking refrigerated equipment ceased their efforts and decided to wait and see. Not so many veterans sought to buy discarded busses to establish frozen food delivery routes. To my way of thinking, this extreme pessimism is just as unwarranted as was the exaggerated optimism of the wartime frozen food enthusiasts.

Anyone who had examined the development of other new methods of handling and selling food should have been warned that growth takes time. Even the electric home refrigerator, having marked and obvious advantages over the old-fashioned ice refrigerator, required more than a quarter century for full consumer acceptance. Packaged crackers and biscuits likewise required many years to effect their monopoly of the grocers' shelves. And so on, with many more examples which we could cite.

Frozen Foods and the Future

Frozen vegetables have not yet achieved their full place in food merchandising, and will not for a good many years to come. Quality product improvement, realistic pricing, and the provision of refrigerated store equipment and home storage facilities will gradually change the picture. Unfavorable consumer attitudes built up by unfortunate experiences with low-quality frozen products must be overcome. And prices paid by consumers for frozen foods, in relation to prices for fresh and canned produce, will have to be further shaken down. When these and other problems are met, frozen vegetables will have a more prominent place on the American dinner table than they have at present.

Prepackaging is another development about which some folks became overenthusiastic in the early stages. It was one thing to set up some experimental operations, and another to carry them to a successful commercial conclusion. It was not a difficult problem to prepackage fresh fruits and vegetables. Anybody can buy transparent wrapping film from his local jobber, wrap it around a product, and seal it with a hot iron purchased at the local drug store. Even packaging machines are relatively inexpensive. And so, a good many retail stores started prepackaging in the back room, a number of chains tried it in their warehouses, and some individuals and organizations waxed fat, publicity-wise, on the interest which was aroused.

But again the reaction came. Early sales boosts, based partly on curiosity rather than ultimate consumer acceptance, tapered off or were lost entirely. Costs of the poorly worked out operations were excessive. All kinds of problems and difficulties arose. Some early prepackagers

dropped out of the picture. And now a good many people have begun to wonder whether prepackaging was not just a flash in the pan.

Actually, we should not be at all surprised over these growing pains. Prepackaging does have a place in the merchandising of fresh fruits and vegetables. We have not yet done enough research, we have not had enough pilot commercial operations, to determine just what that place is.

We can, however, draw some very tentative and general conclusions. Some fruits and vegetables are much better adapted to prepackaging than others. There is a big difference in the spoilage rates, in the effect of prepackaging on consumer acceptance, in the costs of prepackaging, in the amount of labor saved in the retail store, and in other features of produce merchandising which determine the relative advantages and disadvantages of prepackaging.

One thing we can be sure of, in the absence of the cyclotron development so glowingly depicted in the magazine article, is that refrigeration will come to have an increasingly important place in vegetable marketing, and that there will be many important developments in this respect between the points of harvesting and of final consumption.

Refrigerator Needs

New and improved methods of precooling and of otherwise handling the produce at the point of origin will be adopted. I have never been enthusiastic about our present facilities for transporting fruits and vegetables. Marked progress has been made in improving the design of the conventional iced refrigerator cars, but in this mechanical age it would seem almost inevitable that eventually we will see the widespread adoption of more radical improvements, probably involving some form of mechanical refrigeration. The Department is giving considerable attention to these possibilities. The use of refrigerated equipment in our wholesale markets and warehouses is just in its infancy. Regardless of the eventual place of frozen foods and prepackaging, refrigerated retail store equipment for the handling of fruits and vegetables is making rapid strides and eventually will dominate the retail equipment picture.

This greater use of refrigerated facilities will contribute to reduced spoilage, preservation of vitamin content and other nutritional qualities now lost in marketing, improved consumer acceptance, and expanded consumption. Consumers will become increasingly conscious of the relation between handling methods and nutritional value of foods.

Perhaps the most important future developments in vegetable marketing will be found centering around the retail store. This is where the farmer meets his real customer, the final consumer. Whatever we may do to improve quality, grading, processing, and sales promotion farther back in the marketing system can help to expand consumer demand only as it affects the actions of consumers buying at retail. Good retailing cannot entirely make up for poor merchandising elsewhere in marketing, but poor retailing can undo the results of almost any kind of good merchandising in other segments of the distributive system. The most progres-

sive methods of frozen-food processing, transportation, and wholesaling will be largely nullified if retail stores do not have equipment to sell the products effectively. Attractively prepacked fresh produce can soon lose its bloom under unfavorable conditions in the retail store. If I wanted to promote almost any new development in fruit and vegetable merchandising, one of the first places I should look to for intensive promotional activity is the retail outlet.

Retailing Costs Are Reducible

Not only is retailing highly important from the standpoint of merchandising; practiced efficiently, it is also the principal key to reducing the costs of marketing and hence the spread between the producer and the consumer. Retailing absorbs the largest single share of total marketing charges. If we believe in the principle that you cannot squeeze blood from a turnip, we shall cease devoting nearly all of our efforts to reducing the costs of marketing at the farm end of the marketing system--operations which account for a relatively small portion of the total spread between the producer and the consumer. We shall give more attention to retailing, which is not a turnip. Experience shows, also, that retailing costs are more open to reduction than many other marketing costs. By this, I do not mean to suggest that retailers are not already doing a relatively efficient job, or that they are getting rich from handling fruits and vegetables. The only way we can get any worthwhile reduction in retail margins is to effect further economies in retail operating costs. This means the reduction of labor costs, waste, and risks, which are among the most important factors affecting retail costs of operation.

Consumers Must Be Influenced

A good many of the new developments in vegetable marketing during the next decade or two will center around the problem of influencing the final consumer. To some people, this appears to be a relatively simple task. Merely hire some interviewer to ask consumers what would cause them to buy more fresh fruits and vegetables, and then engage in a little advertising or sales promotion to "educate" the consumer in order to counteract any false notions about the product which were discovered in the survey. Alas, it is by no means so simple. Consumers generally do not know why they buy one product instead of another, or how much of a product they would buy under other circumstances. Survey results of this general nature are highly questionable.

The advertising and sales promotion of unbranded perishable produce like vegetables presents problems quite different in character from those encountered in the promotion of branded manufactured products. In developing ways of persuading consumers to use more healthful foods we had best give first attention to seeing that we actually offer the consumer the best possible product for his needs, and then by experimentation determine how we can more effectively persuade him to purchase these offerings. The vegetable industry must give much more attention in the future than in the past to factors affecting the loss of vitamin content in marketing, and to methods of grading, retail display, pricing, and

merchandising which are proved by actual trial to be the most effective. For example, will the average consumer buy the most carrots if they are sold by the bunch or by the pound? Would consumers buy more celery if it were trimmed differently? These are a few of the many practical questions about which we now have merely theories or personal judgments.

The great differences in merchandising practices encountered in the market show that practical judgment is not enough. Experimental operations under carefully controlled conditions are needed. The Research and Marketing Act at last provides the means whereby we should be able to obtain answers to a great many of these questions, and contribute to the more effective use of modern developments in vegetable marketing.

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BIG COTTON CROP INCREASES STORAGE DEMAND

Cotton farmers as well as the growers of corn and small grain are confronted with local storage and price problems as the 1948 crop awaits harvest. The September USDA cotton Crop report indicates a production of 15,219,000 bales as compared with 11,951,000 bales last year. Production in 1911, 1914, 1925, 1926, 1931, and 1937 exceeded the current estimates. The record crop of nearly 19 million bales was produced in 1937.

With a smaller-than-average abandonment of cotton in cultivation, 23,323,000 acres are expected to be left for harvest, around 2 million acres more than harvested in 1947. Lint yield per acre is computed at 313.2 pounds, an all-time high and 14.3 pounds above the previous record made in 1944. This compares with the 10-year average yield of 254 pounds.

Because of the huge crop state PMA committees and other agencies are increasing their efforts to help growers get their cotton into improved storage so that it will be eligible for CCC loans.

When cotton is in improved storage the grower may obtain a loan of 92 1/2 percent of the local parity price. Parity of 7/8-inch Middling cotton on August 1, 1948, was 31.12 cents at the base Carolina point.

Information on local loan rates for the different grades and length of staple may be obtained at the local county Agricultural Conservation Association offices. Also available at this office is information on approved warehouses and the various places in the county authorized to make CCC loans.

Announcement is expected soon regarding acreage allotments and marketing quotas for 1949. Under the Agricultural Adjustment Act of 1938 the Secretary of Agriculture not later than November 15 will review the national cotton supply situation. If it appears that the supply at that time is above "normal"--enough to take care of domestic and export needs plus 40 percent--he may call for a referendum of cotton growers to determine whether acreage allotments and marketing quotas shall be established for 1949.

Storage Is the Problem

By Norman Hummon

The other day we ran into the fellow who claims to have written the original yarn about the foxy ant and the foolish grasshopper. You know how the story went--the ant built his storehouses and filled them early while the grasshopper was playing the horses. Then as winter came on and the pickings got thin the worried grasshopper tried to dig a harvest out of a snowbank and froze to death.

The morbid fellow who wrote that yarn thought there was a moral in it for farmers this year but we figured that if there were ever any foolish ones around they must have got caught in those heavy snows of last winter. If not that, certainly they're cooperating with the U. S. Department of Agriculture's campaign to get more storages built for the Nation's bumper grain crops.

Crop reports indicate that this year's harvest of wheat, corn, oats, barley, rye, and grain sorghums will total about 6.8 billion bushels--an increase of 1 billion 400 million bushels over production a year ago and 1 billion 359 million bushels more than the 10-year average. As compared with the average for the 1937-41 prewar period, the increase in production is 1,858 million bushels--which is more than the combined exports of all grain from the United States during the last 3 years.

The large surpluses of grain above domestic requirements present a pressing storage problem.

Present Facilities Overloaded

Even though grain sometimes is stored in unusual places the USDA knows that additional farm storage facilities will be needed for several hundred million bushels of the 1948 crop. Available Government facilities are being used to help farmers, but the Commodity Credit Corporation no longer has the extensive storage space it had during the war. County elevators, terminal warehouses, and the transportation systems are overloaded.

Farm bin and crib construction since the beginning of the war has no more than kept pace with losses from fire, wind, and deterioration. Storage has always been something of a problem in exceptional seasons and we have never had crops like these.

The solution is simply a matter of building more bins and cribs on the farms--and that will mean placing orders now if construction is to be completed before snow flies. It doesn't mean boarding up the big barn doors and crawling over a mountain of corn all winter--or throwing it in those empty horse stalls where it will burst out the siding and run into the barnyard. If building plans are delayed, however, until the old cribs are running over, this is what will happen.

Farmers know the costs of inadequate storage. If the grain has to be sold hastily the market is depressed and income is cut. If the grain is kept on the farm under adverse conditions its value drops rapidly--for either feeding or future marketing.

Fortunately the issue can be met more happily for both the farmer and the surplus. Field reports show that Corn Belt farmers are fully aware of the problem and are taking action. Producers of construction materials are cooperating and we are told that supplies will be available if individual farmers get the orders in early enough.

Corn will amount to the bulk of the total production increases this year and because it is harvested latest of the major crops it usually takes what's left in the way of emergency storage facilities. Luckily structural requirements for adequate protection of corn are not great. In an effort to get a jump on the emergency, the Production and Marketing Administration has launched a vigorous campaign to stimulate both temporary and permanent storage construction.

Action on the Farms

The problem has been attacked in sectional and State conferences with the knowledge that conclusive action will have to take place on the community level and on the farms themselves. Along with the information warning of the seriousness of the situation the Department is making available latest plans for low-cost storage design. This functional program will be in the hands of PMA county and community committeemen who will be backed by the State experiment stations and the State extension departments.

In several of the Corn Belt States PMA officials are cooperating with the county AAA committees and local business organizations in sponsoring 1-day storage construction demonstrations. The principal aims of the demonstrators are to show what storage facilities are acceptable to the CCC for loans, and how these facilities can be constructed quickly and simply.

At the local meetings farmers are being shown how materials on hand can be turned into suitable floors, sides, and roofs of temporary cribs. The storage possibilities of unused enclosures is being demonstrated as well as some tricks in enlarging existing cribs.

In the expansion of storage facilities full use is being made of the grains storage research carried on under the Research and Marketing Act. In addition to developing plans for low-cost bins and cribs, projects involving modern drying and handling techniques are in progress.

Most producers will be concerned with facilities which retain the quality of their harvest and comply with the storage requirement of loan provisions of the Commodity Credit Corporation. Whether or not storage conditions meet adequate standards for loans will be determined by the County Agricultural Conservation Committees. Farmers who act promptly in securing materials will find it simplest to comply.

MARKETING BRIEFS:

Dairy Products.--During August USDA recommended a revision of the basis for establishing prices for Class II milk (fluid cream and seasonal milk surplus) in the Boston area. The revision would decrease the handling, processing, and shipping allowance (established by deducting from the wholesale selling prices of fluid cream and nonfat dry milk solids) for products of Class II milk in the short supply months and increase it in the flush production months with an average increase for the year of about 7 cents per hundredweight of Class II milk.... USDA approved, subject to industry acceptance, an increase in price differentials over the basic price for Class I milk (chiefly fluid milk) and Class II milk (chiefly milk used for cream) in the Topeka milk market. The Class I differential would be increased from 60 cents per hundredweight to 85 cents for the months March through August and to \$1.30 per hundredweight during all other months. The increase in Class II differentials would be from 35 cents per hundredweight to 60 cents per hundredweight during the months March through August and to \$1.05 per hundredweight for all other months.... USDA has approved, subject to industry acceptance, an increase in returns to producers of Class I (chiefly fluid milk) and Class II milk (milk chiefly used for cream and cottage cheese) in the Wichita area. The Class I differential would be fixed at \$1.00 per hundredweight for April through June and at \$1.45 per hundredweight for the remaining months of each year as compared with the present differential of 80 cents for each month. The Class II differential would be increased to 75 cents per hundredweight for April through June and to \$1.20 per hundredweight for the remaining months of each year as compared to a current Class II differential of 55 cents for all months.

Fruits and Vegetables.--USDA announced August 11 that it is preparing revisions in the rules and regulations for inspection service on processed fruits and vegetables and their processed products. An increase will be made in some of the fees charged for inspection.... Adoption of a proposed marketing agreement and order program for the handling of Emperor grapes grown in California was recommended by USDA August 17 USDA announced in late August that the CCC would buy dried fruits, U. S. Grade C or better, during the 1948-49 marketing season and that the maximum quantity purchased might approximate 200,000 tons.... The principal change in the 1948 potato price-support program originally announced in March 1948 and subsequently changed in August, is the continuation of 90 percent price support through the entire marketing season for 1948-crop potatoes, extending into the calendar year 1949.... Early in August USDA announced the program to support the price of the 1948 sweet potato crop from September 1, 1948, through April 30, 1949, in accordance with legislative requirements.

Grain and Grain Products.--Cumulative purchases by CCC since July 1, 1948, announced in mid-August, are: Wheat, 69,058,548 bushels; flour, 405,090,000 pounds (9,014,333 bushels wheat equivalent); barley, 6,734,305 bushels; grain sorghums, 5,731,427 bushels; and rye, 67,857 bushels Recently USDA announced an allocation of milled rice for export in the amount of 3,900,000 pounds for the period July-December 1948. Except for the Government-acquired quantities for Germany and Austria, all the

rice is for commercial procurement.... Early in August USDA announced extension of the time limit in which flaxseed and linseed oil processors may sell to the CCC. For flaxseed the date has been extended from January 1, 1949, to April 30, 1949, and for linseed oil, from March 1, 1949, to June 30, 1949.... USDA announced in mid-August that the following emergency export allocations were among those approved during the week ended August 13: (1) 324,000 long tons of wheat allocated to the Department of the Army, of which 297,000 tons are for Bi-Zone, Germany and 45,000 tons are for Japan and Korea--PMA stocks, September shipment. (2) 5,000 long tons of linseed cake or meal produced from flax crushed in California allocated to France--commercial procurement, August-December shipment.

Poultry.--Early in August USDA announced that it would continue, for the month of September, to support egg prices in the Midwest at levels reflecting an average price to producers of at least 35 cents a dozen for shell eggs--the same as the price for May through August.... USDA poultry marketing specialists estimate that 5 eggs out of every 100 produced become unfit for food as a result of quality deterioration or other causes. This 5 percent loss has taken an annual toll of more than 233,000,000 dozen eggs in the last 5 years. To conserve egg quality USDA recommends: (1) Further efforts to produce clean eggs, (2) more frequent collections of eggs each day, (3) prompt cooling of eggs after collection and before packing, (4) temporary farm storage under proper temperature and moisture conditions, (5) frequent marketing by farmers and country buyers, and (6) the holding of eggs under refrigeration at all times after they are packed in cartons or cases.

Sugar.--Early in August USDA announced revision of sugar quotas from 7,000,000 to 7,200,000 short tons, raw value, due to the increase in the estimate of 1948 continental sugar requirements. The Department also announced proration to Cuba, Peru, Dominion Republic and El Salvador of an additional deficit of 50,000 short tons, raw value, of sugar in the 1948 quota for the Republic of the Philippines.... Ample supplies of sugar for the United States and protection against abnormal carry-over of sugar in Cuba were assured by agreement reached in August by the CCC and the Cuban Sugar Stabilization Institute. The Institute will assure the United States its present 1948 quota of approximately 2,822,000 short tons and keep in reserve 466,000 short tons for possible further U. S. needs. CCC has increased its purchases from reserve supply by 238,000 tons, primarily to be used by the Army for civilian feeding in occupied areas. Providing Cuba's 1948 import quota is not increased by October 15 the Institute will be able to dispose of the remaining reserve supply of 228,000 tons. The price paid by CCC for sugar from this supply is 4 cents per pound.

Tobacco.--Early in August USDA announced designation of the flue-cured tobacco market at Claxton, Ga., for the free and mandatory inspection and market news service of PMA. The action is a result of the unanimous approval of 695 growers voting on the issue in the Claxton area in early July. Inspection and certification on the warehouse sales floors and the distribution of reports on prices by grades are features of the service.

The following addresses, statements, and publications, issued recently, may be obtained upon request. To order, check on this page the publications desired, detach and mail to the Production and Marketing Administration, U. S. Department of Agriculture, Washington 25, D. C.

Addresses and Statements:

Our Stewardship, by William B. Crawley, Assistant Administrator for Production, PMA, at St. Paul, Minn. August 31, 1948. 6 pp. (Mimeographed)

Marketing of Oil Seeds in the United States, by George L. Prichard, Director, Fats and Oils Branch, PMA, at Urbana, Ill. August 16, 1948. 11 pp. (Mimeographed)

The General Livestock Situation and Outlook, by Charles A. Burmeister, Livestock Branch, PMA, at Jackson's Mill, W. Va. June 22, 1948. 7 pp. (Mimeographed)

Publications:

Livestock Market News, Statistics, and Related Data, 1947. (PMA) July 1948. 95 pp. (Multilithed)

Carlot Shipments of Fresh Fruits and Vegetables, by Commodities, States, and Months; Including Boat Shipments Reduced to Carlot Equivalents, Calendar Year 1947. (PMA) May 1948. 32 pp. (Multilithed)

Fiber and Spinning Test Results for Some Pure Varieties Grown by Selected Cotton Improvement Groups, Crop of 1948. (PMA) August 1948. 12 pp. (Multilithed)

The Benton Harbor Fruit Market, at Benton Harbor, Mich. (PMA) June 1948. 52 pp. (Multilithed)

The Agricultural Conservation Program, Facts for ACP Committeemen, (PMA) June 1948. 8 pp. (Printed)

Marketing Grapes and Raisins, 1947 Season. (PMA) July 1948. 66 pp. (Mimeographed)

A Yardstick for School Lunches, Prepared by the Interagency Committee on School Lunches. (PMA) Revised June 1948. 30 pp. (Printed)

Tobaccos of the United States; Acreage, Yield per Acre, Production, Price, and Value; by States, 1866-1945, and by Types and Classes, 1919-1945. (Bureau of Agricultural Economics) CS-30. July 1948. 82 pp. (Multilithed)

Fruits (Noncitrus), Production, Farm Disposition, Value, and Utilization of Sales, 1945-47. (Bureau of Agricultural Economics) July 1948. 42 pp. (Mimeographed)

